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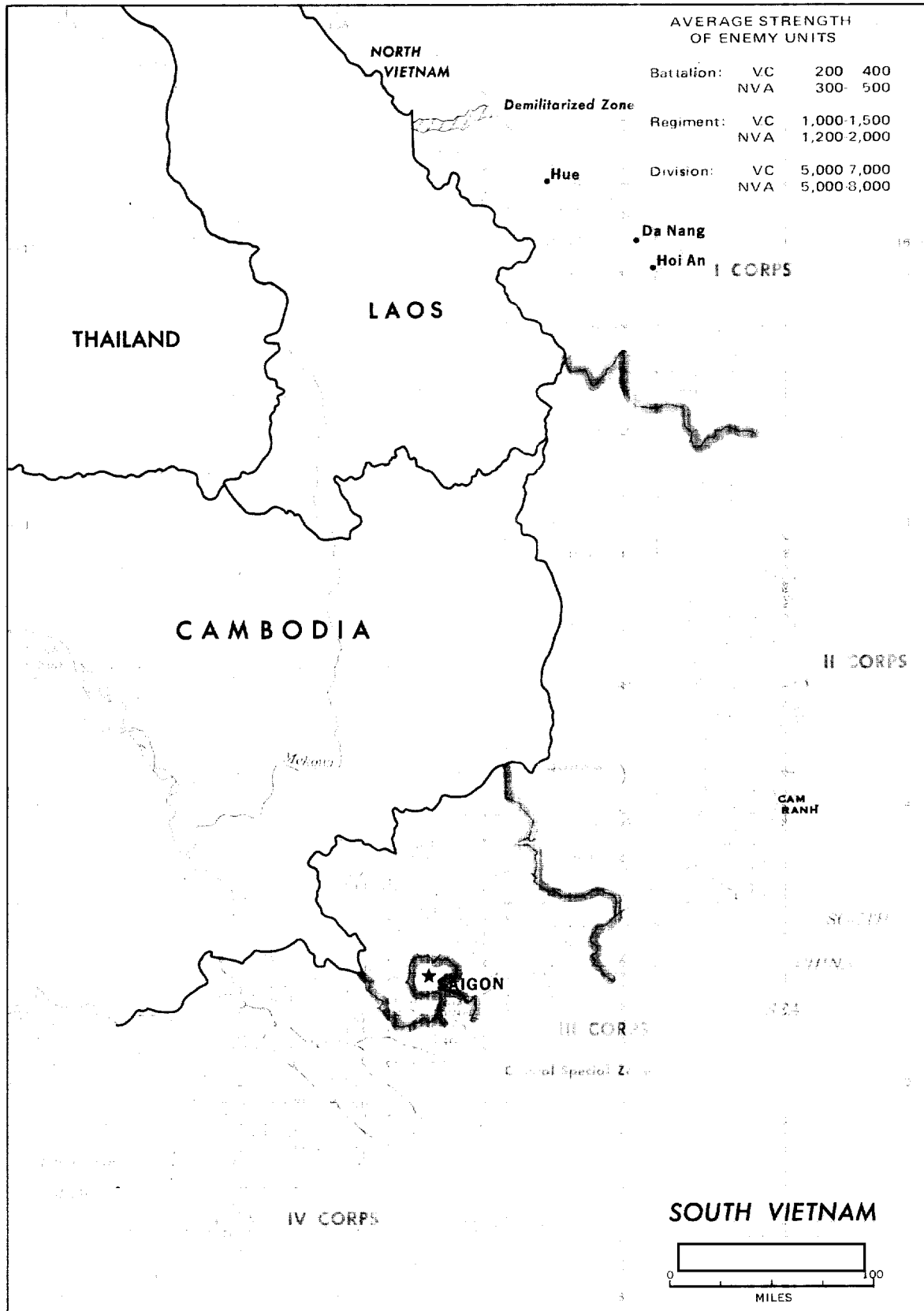
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[South Vietnam: The latest outbreak of coordinated, countrywide enemy attacks appears thus far to represent a further refinement of the economy-of-force tactics used by the Communists in their last several offensives.

A review of enemy action on the night of 11-12 August indicates that 137 allied bases and towns throughout South Vietnam were shelled by rocket and mortar fire. The targets included nearly every large US command center in the country as well as the major cities of Saigon, Hue, and Da Nang and the provincial capital of Hoi An. Few of the bombardments, however, exceeded 20 rounds of incoming fire, and resulting allied casualties and damages were generally light. The conservation of munitions evident in the shellings suggests that, like similar "high points" in the past, they were intended primarily for their political and psychological shock value.

In keeping with the enemy's emphasis on the conservation of manpower, sapper and guerrilla forces played the major role in the several sharp ground attacks which developed in the latest fighting. Action by large Communist main force units has thus far been limited to some support and follow-up moves in northern III Corps by elements of the enemy's 1st, 5th, 7th, and 9th divisions.

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Cambodia: General Lon Nol is organizing a new government amid signs that Sihanouk has given him a somewhat freer hand than past prime ministers.

Lon Nol's cabinet choices thus far are for the most part politicians and technicians who share his conservative political outlook. The major surprise is Prince Sirik Matak, a forceful and independent figure who has been openly critical of Sihanouk's economic and foreign policies. Matak's decision to join the government as first deputy prime minister suggests that he expects it to be more than a rubber stamp for Sihanouk.

Lon Nol has not yet chosen ministers for the economy, an area where Sihanouk has called for sweeping reforms, and which he claims will be the principal testing ground for the new government. It is also not clear whether Lon Nol, who will hold the Defense Ministry portfolio, will retain his post as commander in chief of the armed forces. In any event, Sihanouk is still likely to reserve major foreign policy decisions to himself.

Lon Nol will probably not face any serious political opposition from the left because its influence in national politics has diminished sharply in the past two years. He has a reputation for dealing firmly with antigovernment elements, particularly the insurgents now active in the countryside. He has also advocated more aggressive military countermeasures against Vietnamese Communist incursions.

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Chile-Cuba: A two-man Chilean commercial mission reportedly is in Cuba to explore trade possibilities.

The government has denied that this mission is official, but both men represent government agencies. They are accompanied by a former independent senator who has long advocated resumption of ties between Cuba and Chile. It seems likely that some members of the Christian Democratic Party plan to use calls for closer relations with Cuba to enhance the party's credentials with leftist voters before the presidential election next year.

Havana would see a resumption of trade with Chile as a major setback to US and OAS policy toward Cuba.

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Zambia: The recent mining reforms announced by President Kaunda probably will have a gradual effect on the operations of foreign-owned copper companies.

Kaunda stated on 11 August that his government will end mining rights held in perpetuity by the companies and will institute instead a system of 25-year leases. The companies will be "invited" to sell 51 percent of their shares to the government which will pay the companies out of future dividends.

This action is directed mainly at the two giants of the Zambian copper industry, the Anglo-American Corporation, controlled by British and South African interests, and the Roan Selection Trust, which has a majority of US shareholders. The companies hold between them 64,000 acres of undeveloped mining concessions. Kaunda believes these should be developed, both to diversify the country's mineral production and to open up areas which now have no industrial development. He hopes that the new measures will stimulate the present companies to develop the deposits, or he will find other companies willing to exploit them.

Contrary to press accounts, the Zambian Government will probably move cautiously to implement the reforms. Copper accounts for over 90 percent of Zambia's export earnings and over one half of the country's gross national product. A decline in copper profits would seriously jeopardize the economy. Although the government's decision to exercise a measure of control of the companies appears firm, the means by which this will be accomplished and the timing are not yet clear. In any event, foreign management of the companies is likely to continue for some time.

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European Communities: Dutch opposition to a Commission proposal to adjust the Common Agricultural Policy (CAP) to the devaluation of the franc resulted yesterday in a compromise less favorable to France.

The Commission would have removed France from the CAP's uniform pricing system for 28 months. The Dutch fought hard for a short-term arrangement and the resulting compromise exempts France during the 1969-70 crop year only. The exemption means that France can avoid an inflationary rise in farm prices which could otherwise have resulted from the devaluation. France will have to keep its import and export prices on CAP products essentially unchanged by granting import subsidies and levying export taxes.

The Commission will report on the implementation of these measures by 30 November and will recommend any necessary alternative solutions at that time. The Council will decide on the Commission's proposals before the end of the year.

A Dutch spokesman remarked that his country's insistence on a compromise was partly to deny the French a definite solution in order to keep the pressure on them. Presumably, the Dutch have in mind bargaining France's farm problems against discussion of British membership in the Communities.

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25X1 Romania: Ceausescu yesterday on the closing day of the party congress advanced a number of his young protégés into elite bodies of the party and downgraded a few "old guardists." Ceausescu also slightly enlarged the Hungarian minority representation in these bodies and provided for greater participation by individuals from the military and security organs. These promotions as well as Ceausescu's opening day speech were designed to drive home the message, notably to the Soviets, that Romania is united and determined to adhere to its independent course. [REDACTED]

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Jordan: Yesterday's cabinet change appears to be little more than a reshuffle of familiar figures on the Jordanian political scene. Bahjat Talhuni, the new prime minister, who has headed several previous governments, has been criticized in the past for venality and for failing to provide strong leadership. His appointment continues to leave King Husayn free to direct the affairs of state with little interference. The retention of Muhammad Rasul Kaylani as minister of interior signifies that the effort to bring the fedayeen under control of the Jordanian Government will continue. [REDACTED]

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25X1 Nicaragua: Students protesting alleged government mistreatment of political prisoners have taken over the National University in Leon. Their action follows widespread coverage by the opposition press and radio of charges by a woman member of a Communist-dominated revolutionary organization that she had been abused by the national guard. The situation is being aggravated by a heated campus election campaign in which Social Christian and Communist student parties are vying to take the most extreme position. President Somoza has already warned that student violence could lead to government action against the university. [REDACTED]

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NATIONAL INTELLIGENCE ESTIMATES

The United States Intelligence Board, on 12 August 1969, approved the following national intelligence estimates:

NIE 11/13-69 "The USSR and China"

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SNIE 64.2-69 "Prospects for an Embargo
on Arms to Nigeria and
Biafra"

[REDACTED]

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